



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
7500 Security Boulevard
Baltimore, MD 21244-1850

October 12, 2000

Dear President/CEO:

As in previous years, Medicare beneficiaries are expected to be shopping for Medigap insurance in the coming months because some managed care plans are terminating their Medicare contracts on December 31, 2000. You already received a letter from me, dated July 31, 2000, outlining Federal law governing guaranteed issue of Medigap insurance for managed care enrollees who are returning to Original Medicare.

Past experience has shown that Medicare beneficiaries who wish to purchase Medigap insurance frequently contact the issuer or its agents directly. Anecdotal information from beneficiaries, senior health insurance counselors, and State insurance regulators suggests that Medigap issuers and their agents and other representatives sometimes fail to give timely, accurate, and complete information about plans that are available to beneficiaries who return to Original Medicare as a result of a nonrenewal of their plan.

During the Medigap guaranteed issue period that occurred in 1999, the Medicare Rights Center (MRC) conducted a study to determine if beneficiaries were receiving accurate information through customer service representatives. The results of the study, which are compiled in a report by MRC, are disappointing. In response to specific questions about guaranteed issue rights, information was either wrong or unavailable more than forty percent of the time.

Federal law establishes defined time periods during which Medicare beneficiaries, on returning to Original Medicare as a result of the managed care nonrenewals, generally must be guaranteed the right to purchase Medigap Plans A, B, C, and F. For most beneficiaries, the guaranteed issue periods are:

October 2, 2000 through December 4, 2000; or
January 1 through March 4, 2001.

The law authorizes the Health Care Financing Administration (HCFA) to assess civil money penalties if issuers fail to comply with guaranteed issue requirements. Such penalties could potentially be based on actions of an issuer's agents and representatives. It is therefore very important that agents and other representatives of your company be prepared to give accurate information to beneficiaries about their rights to purchase Medigap insurance you are selling.

The Private Health Insurance Group will be closely following events during the period October 1, 2000 to March 4, 2001. We will particularly be alert to any complaints from beneficiaries that they have received misinformation regarding guaranteed issue rights.

State Insurance Regulators exercise broad authority to enforce guaranteed issue rights, including those in State laws that expand on Federal rights. Under some specific State laws, Medicare beneficiaries must be guaranteed access to Medigap plans *in addition to* Plans A, B, C, and F. Also, some States provide a *longer* guaranteed issue period than is required by Federal law. In order to avoid applicable State penalties, we urge you to make sure that your agents and other representatives are familiar with the specific rules that apply in each State in which you sell, and are prepared to give accurate information to a beneficiary about additional rights available in the State in which the beneficiary lives.

While it is your responsibility to find out whether enhanced guaranteed issue rights exist in each of the States in which you do business, for your information, the attachment to this letter contains a list of States that, to our knowledge, provide additional rights. If you are not familiar with the laws governing guaranteed issue of Medigap policies in the States in which you do business, you should review applicable State laws and regulations.

Like most health insurance laws, the guaranteed issue rights for Medigap purchasers are complex. Nonetheless, we stand ready to work with you to ensure that beneficiaries receive accurate information about those rights and about the availability of products they have a right to purchase. To that end, the attachment also contains model questions that you may use to assist your customer service representatives in properly screening callers. If you have questions, please contact Julie Walton, Marcia Marshall, or Donna Imhoff of my staff. They can be reached by e-mail or phone at jwalton@hcfa.gov or 410-786-4622, mmarshall@hcfa.gov or 410-786-6674, and dimhoff@hcfa.gov or 410-786-0190.

Sincerely,

Gale P. Arden
Director
Private Health Insurance Group

Attachment

cc:

State Insurance Commissioners
State Insurance Dept. Medigap contacts
National Association of Insurance Commissioners
Associate Regional Administrators
Regional Office Medigap Coordinators
All Managed Care Nonrenewal coordinators
Health Insurance Association of America
Blue Cross Blue Shield Association of America
American Association of Health Plans
National Association of Health Underwriters
American Association of Retired Persons
State Health Insurance Assistance Programs
State Health Insurance Assistance Program Regional Coordinators